

City of Long Beach User Fee Study Phase II

Presentation to the Budget
Oversight Committee
February 21, 2006

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City of Long Beach User Fee Study

- Background
- Costing Methodology
- Proposed City Council Fee Policy
- Public Resource Management's Fee Study Results
- Suggested Next Steps

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City of Long Beach User Fee Study

BACKGROUND:

- Original Three Year Financial Strategic Plan Contemplated Budget Solutions to Include Recouping Costs for Services
- Budget Oversight Committee Recommends Fee Study
- City Council Approves Agreement with Public Resource Management June 2004 Following RFP

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City of Long Beach User Fee Study

BACKGROUND (continued):

- Fee Study Phase I Complete Spring 2005
 - First Fee Adjustments Recommended in Phase I Approved by City Council August 2005
 - Council Implements Balance of Phase I Recommendations in the FY06 Budget;
- and,
- Budget Oversight Committee Recommends Finishing Phase II and Applying Increased Revenue to Further Reduction of the Structural Deficit.

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Costing Methodology:

- Key to Building a Best-Practice Fee Structure
- Provide for Accurate Costing of City Services
- Should be Cost Effective and Produce Consistent Results
- Should Encourage Public Policy Discussions

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Costing Methodology (continued):

- Two Components of Full-Cost:
 - Direct Costs: personnel costs for time spent directly on delivering a service, contracts, materials/supplies and equipment, and direct supervision. *Costs that would not be incurred absent providing the service.*
 - Indirect Costs:
 - Department Indirect Costs: administrative overhead and costs associated with supervising the operation and contracts. *Costs that may not be incurred absent providing the service.*
 - Citywide Indirect Costs: costs allocated to all services for central management (e.g. Accounting, HR, Legal, Audit, etc.). *Costs that would be incurred absent providing the service.*

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Proposed City Council Fee Policy:

- Fees Should be Set To Recoup Full Costs, Unless a Subsidy is Approved by the City Council
- Subsidy Consideration Could Involve:
 - Provides a Greater Community Benefit and/or Addresses Financial or Other Hardship
 - Encourages Certain Actions/Conditions
 - Improves Competitive Position

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Proposed City Council Fee Policy (continued):

- Fee Setting Methodology Should be:
 - Cost Effective
 - Consistent from Service to Service, and from Year to Year
- Frequency of Formal Fee Studies:
 - Annual for Major Fees → high individual or aggregate cost and/or large number of occurrences
 - Every Three Years → moderate individual or aggregate cost or significant number of occurrences
 - When Service Changes → minor individual or aggregate cost and small number of occurrences

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City of Long Beach User Fee Study

Public Resource Management's Fee Study Results:

- Executive Summary
 - Study Findings
 - Methodology
 - Economic & Policy Considerations
- Department Chapters
 - Findings
 - Cost per Unit of Service
 - Total Cost of Service

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Public Resource Management's Fee Study Results:

- Total Cost by User Fee Area Studied*

Department	Costs Studied*	Costs, User Fee Services		Costs, Non-Fee Services	
Planning	\$ 4,378,233	\$ 3,597,422	82%	\$ 780,811	18%
Building	7,008,588	7,008,588	100%	-	0%
PW-Engineering	17,895,027	752,913	4%	17,132,114	96%
Code Enforcement	4,950,913	61,067	1%	4,889,846	99%
Health	7,941,325	3,956,619	50%	3,984,706	50%
Fire*	57,286,410	2,692,371	5%	54,604,039	95%
Police	35,209,816	571,468	2%	34,638,348	98%
Parks & Rec*	47,411,522	10,433,570	22%	36,977,952	78%
Grand Total	\$ 182,081,834	\$ 29,074,018	16%	\$ 153,007,816	84%

*"Costs Studied" shown here is the full cost for the organizational division or function delivering services that to some extent may be recouped, except for Fire which reflects that Department's General Fund budget, and Parks & Rec that incorporates their General Fund and some of their Tidelands Fund budgets.

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Public Resource Management's Fee Study Results:

- Total Revenue by User Fee Area

Department	Costs, User Fee Services	Current Fees		Not Funded by User Fees	
Planning	\$ 3,597,422	\$ 2,545,964	71%	\$ 1,051,458	29%
Building (1)	7,008,588	5,402,572	77%	1,606,016	23%
PW-Engineering	752,913	398,126	53%	354,787	47%
Code Enforcement	61,067	56,970	93%	4,097	7%
Health	3,956,619	2,614,220	66%	1,342,399	34%
Fire	2,692,371	2,524,803	94%	167,568	6%
Police	571,468	141,690	25%	429,778	75%
Parks & Rec	10,433,570	4,582,823	44%	5,850,747	56%
Grand Total	\$ 29,074,018	\$ 18,267,168	63%	\$ 10,806,850	37%

(1) The "Current Fees" for Building of \$5.4mm is derived by multiplying the number of permits processed for each valuation category by the average fee for each category. Actual revenue in FY05 was \$8.1mm, due to fees for large construction projects to be utilized over multiple years.

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Public Resource Management's Fee Study Results:

- Planning Bureau
 - Over 100 Services Reviewed for Advance Planning, Community Planning, Environmental Planning, Historic Preservation and Zoning
 - Current Cost Recovery Rate 71 Percent
 - Current Subsidy \$1.05 mm
 - Cost Recovery "Slightly Higher than Average"

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Public Resource Management's Fee Study Results:

- Building Bureau
 - Over 140 Services Reviewed
 - Current Cost Recovery Rate 100 Percent (includes revenue from large projects to be utilized over several years)
 - Revenue Generated is Restricted for Building Services
 - Staff is Evaluating Creation of an Enterprise Fund to Better Account for these Services
 - Fee Schedule Should be Transitioned from Construction Valuation to Best-Practice Occupancy-Based Methodology
 - New Hansen System will Facilitate the New Fee Schedule

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Public Resource Management's Fee Study Results:

- Public Works Engineering Bureau
 - Over 70 Services Reviewed
 - Current Cost Recovery Rate 53 Percent
 - Current Subsidy is \$350k
 - Current Cost Recovery is Comparable to Other Cities

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Public Resource Management's Fee Study Results:

- Community Development Code Enforcement
 - Review Limited to Services Not Covered by the Administrative Citation Program
 - Current Cost Recovery Rate 93 Percent
 - Cost Recovery Rate Considered Among the Best

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Public Resource Management's Fee Study Results:

- Health Department
 - About 150 Environmental Health Services Reviewed in the Areas of Housing, Food, Water, Medical Waste, CUPA, Plan Check and Other
 - Current Cost Recovery Rate 66 Percent
 - Current Health Fund Subsidy of these Services is \$1.3 mm
 - Current General Fund Subsidy of the Health Fund is \$560k
 - Recommend Consolidating Like-Fees and the Phasing of Some Fee Increases (e.g. Multi-unit Housing Inspections)

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Public Resource Management's Fee Study Results:

- Fire Department
 - Over 140 Services Reviewed
 - Current Cost Recovery Rate 94 Percent
 - Current Subsidy is \$168,000
 - Fee Study Recommended Fee Adjustments Implemented Summer 2005
 - Cost Recovery Rate Considered Among the Best

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Public Resource Management's Fee Study Results:

- Police Department
 - Over 75 Services Reviewed, Including Business License/Entertainment Services Performed by Multiple Departments
 - Current Cost Recovery Rate 25 Percent
 - Current Subsidy is \$430,000
 - Department Staff Identified Some New Fees

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Public Resource Management's Fee Study Results:

- Parks, Recreation and Marine Department
 - Hundreds of Services Reviewed
 - Department and Recreation Commission Proactively Developed User Fee Cost Recovery Policy Considered Best-Practice (based on San Luis Obispo Model)
 - Department's Fee Policy is Consistent with Recommendation for City-wide Policy
 - Current Subsidy is \$5.85 mm
 - Current Cost Recovery Rate 44 Percent
 - New Fee Policy Could Increase Cost Recovery to Over 55 Percent

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Suggested Next Steps:

- BOC Fee Policy Recommendation
- Departments Propose Fee Adjustments in FY07 Budget Submittals to City Manager
- Develop Process to Regularly Update Fee Study per Policy

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